

Message Text

LIMITED OFFICIAL USE

PAGE 01 OSLO 06313 161726Z
ACTION EUR-12

INFO OCT-01 ISO-00 IGA-02 AID-05 CEA-01 CIAE-00 COME-00
EB-07 EA-07 FRB-03 INR-07 IO-13 NEA-10 NSAE-00
USIA-06 OPIC-03 SP-02 TRSE-00 CIEP-01 LAB-04 SIL-01
AGRE-00 OMB-01 STR-04 SS-15 NSC-05 /110 W
----- 030914 /41

O R 161622Z DEC 76
FM AMEMBASSY OSLO
TO USMISSION OECD PARIS IMMEDIATE
INFO SECSTATE WASHDC 2930

LIMITED OFFICIAL USE OSLO 06313

PASS CEA, TREASURY , FRB

E.O. 11652: N/A
TAGS: ECON, OECD, NO
SUBJ: EDRC REVIEW OF NORWAY

REF: OECD PARIS 26611

1. EMBASSY CONCURS IN MOST OF ANALYSIS AND CONCLUSIONS CONTAINED IN
REF TEL AND HAS FOLLOWING GENERAL COMMENTS: 1977 IS AN ELECTION
YEAR AND BUDGET IS MORE POLITICALLY FLOVORED THAN USUAL AND
PROBABLY MORE EXPANSIONARY THAN ORDINARY FOR CURRENT GOVERNMENT.
PRIMARY EMPHASIS IN BUDGET WAS PLACED ON MAINTENANCE OF FULL
EMPLOYMEN. SINCE ECONOMIC PROPECTS HAVE DETERIORATED SINCE BUDGET
WAS PRESENTED, FURTHER ANTI RECESSIONARY MEASURES HAVE ALREADY
BEEN TAKEN AND FURTHER MEASURES ARE
LIKELY TO FOLLOW TO MAKE FULL EMPLOYMENT. THIS WILL FURTHER INCREASE
EXPANSIONARY EFFECT OF BUDGET.

2. EMBASSY HAS FOLLOWING SPECIFIC COMMENTS WHICH ARE KEYED TO
REFTEL PARA NUMBERS:

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 OSLO 06313 161726Z

PARA 2- DOMESTIC DEMAND HAS LACKEDMEASURES TO STIMULATE IT AND
PART OF ESTIMATED 6 PER CENT INCREASE IN 1976 PROBABLY
REFLECTS CATCHING UP PROCESS. IN ADDITION, RECENT GIGURES IN-
DICATE THAT REAL INCOME MAY INCREASE APPROXIAMTELY 3.8 PER CENT
IN 1976 COMAPRED TO TARGETED 3.0 PERCENT
INCREASE.

PARA 3- EMBASSY IS SCOPTICAL ABOUT SECRETARIAT'S 8PERCENT ESTIMATED INCREASE IN PRODUCTIVITY IN 1976 (SEE ALSO COMMENT ON PARA 10).

PARA 4- EMBASSY EXPECTS MODERATE RISE IN UNEMPLOYMENT TOWARD END OF 1977 SINCE SHIPYARDS AND SUB-CONTRACTORS ACCOUNT FOR 13 PERCENT OF INDUSTRIAL EMPLOYMENT. IN ADDITION, THE PULP AND PAPER INDUSTRY WHICH HAS BEEN OPERATING AT CLOSE TO NORMAL PRODUCTION LEVELS, BUT IS NOW HOLDING RECORD INVENTORIES EQUIVALENT TO 75 PERCENT OF 1975 EXPORTS, MAY BE FORECAST TO CURTAIL OUTPUT.

PARA 51 EMBASSY NOTES THAT OFFICIAL TARGET OF SPRING 1977 WAGE ROUND IS 9 PERCENT NOT 10.5 PERCENT, AND COSIDERS 9 PERCENT INCREASE IS OBRAINABLE. HOWEVER, WAGE DRIFT, WHICHIS EXPECTED TO ADD 4-6 PERCENT TO NOMINAL WAGES IN 1976, COULD ADD AS MUCHAS 3-4 PERCENT TO WAGES IN 1977 WITH THE SLOWDOWN ACCOUNTED FOR BY CONTINUING ECONOMIC DIFFICULTIES, ALOWER RATE OF INFLATION, AND GOVERNMENT PROGRAMS TO COMBAT WAGE INCREASES. IN ADDITION, EMBASSY DOES NOT BELEIVE LARGE INCREASES IN AGRICUL- TURAL INCOMES AND IN TRANSFERS IN 1976 WILL LEAD TO STRUGGLE FOR INCOME SHARES IN 1977 AS WAGE EARNERS ATTEMPT TO CATCH UP BECAUSE AGRICULTURAL INCOMES STILL LAG CONSIDERABLY BEHIND THOSE OF INDUSTRIAL WORKERS AND DECISION TO EQUALIZE THEM IN SIX YEARS WAS ADOPTED BY PARLIAMENT IN 1976 WITH ALMOST NO OBJECTION.

PARA 6- THERE IS LITTLE PROSPECT FOR NORWAY'S PROGRESS IN TRADE FOR 1977. EMBASSY CONSIDDERS THAT THE FISCAL POLICY STANCE PLANNED BY GON FOR 1977 IS EXPANSIONARY, ALTHOUGH LESS SO THAN IN 1976. HOWEVER, STANCE IS LIKELY TO BECOME MORE LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 OSLO 06313 161726Z

EXPANSIONARY SINCE EXPORT DEMAND NOT APPEARS UNLIKELY TO INCREASE AS MUCH AS PREVIOUSLY FORECAST, ADDITIONAL ANTI- RECESSIONARY PROGRAMS HAVE LAREADY BEEN INTRODUCED AND MORE ARE EXPECTED.

PARA 8- EMBASSY NOTES THAT 1977 BUDGET ALREADY PROVIDES FOR A DEFICIT AND THAT THIS DEFICIT WILL PROBABLYY BE INCREASED AS A RESULT OF ADDITIONAL ANTI-RECESSIONARY MEASURES. ADDITIONAL DEFICIT WILL PROBABLY BE COVERED BY FURTHER INTERNAL BORROWING WHICH WILL MAKE IT DIFFICULT FOR GON TO ADHERE TO 14-16 PERCENT TARGET FOR TOTAL CREDIT EXPANSION.

PARA 9B- INTEREST RATES IN NORWAY ARE KEPT RELATIVELY LOW FOR SOCIAL POLICY REASONS. IN ADDITION, USE OF HIGHER INTEREST RATES TO RESTRAIN GROWTH OF NOMINAT WAGES COULD COUNTER PRIMARY NORWEGIAN OBJECTIVE OF OBTAINING FULL EMPLOYMENT DURING A PERIOD WHEN ECONOMIC ACTIVITY IS EXPECTED TO BE WEAKER THAN PREVIOUSLY FORECAST. THEREFORE, EMBASSY DOES NOT EXPECT GON TO ADOPT MORE FLEX-

IBLE MONETARY POLICY AT THIS TIME.

PARA 10- THERE ARE NO INDICATIONS THAT NORWEGIAN
PRODUCTIVITY WILL INCREASE BY AS MUCH AS 8 PERCENT IN 1976, AND
EMBASSY SHARES MISSION'S VIEW THAT NORWAY'S RELATIVE COST POSITION
MAY BE WORSE THAN SECRETARIAT ANTICIPATES. GON FORECAST FOR
1977 PETROLEUM RELATED INVESTMENT IS STATED IN 1975
PRICES WHEREAS 100 PERCENT SURVEY FIGURES INCLUDES INFLATION.
EMBASSY ALSO CONSIDERS 100 PERCENT FIGURE OVERLY OPTIMISTIC
IN VIEW OF DELAYS IN MAJOR OIL DEVELOPMENT PROJECTS AND BELIEVES
THAT FINAL FIGURE WILL BE CONSIDERABLY CLOSER TO THAT OF GON
THAN TO THAT OF SURVEY.
ANDERS

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: REPORTS, POLICIES, STUDIES, ECONOMIC PROGRAMS, FINANCIAL TRENDS
Control Number: n/a
Copy: SINGLE
Draft Date: 16 DEC 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: coburnhl
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976OSLO06313
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760463-0438
From: OSLO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19761237/aaaabfpg.tel
Line Count: 128
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 OECD PARIS 26611
Review Action: RELEASED, APPROVED
Review Authority: coburnhl
Review Comment: n/a
Review Content Flags:
Review Date: 26 APR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <26 APR 2004 by BoyleJA>; APPROVED <12 AUG 2004 by coburnhl>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: EDRC REVIEW OF NORWAY
TAGS: ECON, NO, US, OECD
To: OECD PARIS
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006